



Nirlon Limited

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August 18, 2022

BSE Limited,

The Corporate Relationship Dept.,

P.J. Towers,

Dalal Street,

Mumbai - 400 001.

Security Code: 500307

Dear Sir/ Madam,

Sub: Participation in Investors'/ Analysts' conference call held on
Wednesday, August 10, 2022

We refer to our intimation dated August 1, 2022 informing the stock exchange of an earnings conference call on Wednesday, August 10, 2022.

This is to inform you that the conference call was attended by Mr. Rahul V. Sagar, Chief Executive Officer & Executive Director, Mr. Kunal V. Sagar, Promoter & Non-Executive Director and Mr. Manish B. Parikh , Chief Financial Officer and Vice President (Finance) of the Company, and Mr. Ashish Bharadia, Vice President (Business Development and Investor Relations) of Nirlon Management Services Pvt. Ltd.

The transcript is attached herewith. The Transcript and the audio recording are available on the Company's website "www.nirlonltd.com".

The interaction was based on a Q&A format, and the presentation for the aforesaid is available on the Company's website.

Kindly take the information on your record.

Thanking you,

Yours Faithfully,

For Nirlon Limited

A handwritten signature in blue ink, appearing to read 'Jasmin K. Bhavsar', with a circular flourish at the end.

Jasmin K. Bhavsar

Company Secretary, Vice President (Legal) & Compliance Officer
FCS 4178

Encl:a.a.

Nirlon Limited
Earnings Conference Call
August 10, 2022

Moderator: Good day, Ladies and gentlemen and welcome to the Q1 FY23 Earnings Conference Call of Nirlon Limited. As a reminder, all participant lines will be in the listen-only mode and there would be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, Mr. Sonpal.

Anuj Sonpal: Thank you. Good afternoon everyone and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the Investor Relations of Nirlon Limited. On behalf of the Company, I would like to thank you all for participating in the Company’s earnings call for the first quarter of the Financial Year 2023.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today’s concall may be forward-looking in nature. Such forward-looking statements are subject to risk and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management’s belief as well as assumptions made by information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today’s earnings call is purely to educate and bring awareness about the Company’s fundamental business and financial quarter under review.

Now let me introduce you to the management participating with us in today’s earnings call and hand it over to them for opening remarks. We have with us Mr. Rahul Sagar, Chief Executive Officer and Executive Director, Mr. Kunal Sagar, Promoter and Non-Executive Director, Mr. Manish Parikh, Chief Financial Officer and VP Finance, Mr. Jasmin K. Bhavsar, Company Secretary, Vice President (Legal) & Compliance Officer and Mr. Ashish Bharadia, Vice President of Business Development & Investor Relations of Nirlon Management Services Private Limited. Now without any further delay, I request Mr. Kunal Sagar to start with his opening remarks. Thank you and over to you, Sir.

Kunal Sagar: Good afternoon everyone and welcome to our Earnings Conference Call for the first quarter of the Financial Year 2023. We hope everyone is safe and well.

Let us take you through the financial performance of the Company. For the first quarter of the Financial Year 23, the Company reported a total income of approximately 139 crores, an

increase of 1% from the previous quarter with an EBITDA of 108 crores, a decrease of 5% from the previous quarters. Profit After Tax stood at 14 crores representing a PAT margin of 10.22%.

We will now explain the significant variations in the financials of this quarter from the previous quarter. There were one-time expenses incurred in Quarter 1 Financial Year 23 of approximately Rs.25.00 Crores on account of refinancing of the Company's loan which were included in the finance costs, and an additional 86 lakhs included in the other expenses. The other expenses also include CSR expenses of approximately 3.4 crores for the full Financial Year 23 provided in Q1 of Financial Year 23 as per statutory requirements, and marketing fees of Rs. 3.5 crore for a 10-year renewal which is entirely charged to the P&L in this quarter due to there being no lock-in period, as against other renewals where marketing fees are amortized over the lock-in period of the license. Annualized margins are expected to even out such quarterly variations.

On the operational front, as you are aware, the Company completed the development of Phase- V at Nirlon Knowledge Park and licensed the entire Phase- V development comprising of 1.16 million square feet of chargeable area with effect from December 15, 2021, to JP Morgan Services India Private Limited for a period of 10 years. JP Morgan has begun paying license fees as per the agreements from 15th May 2022 onwards as contracted. Income and expenses relating to Phase- V are recognized in the profit and loss account with effect from December 15, 2021 as per IndAS. This is the primary reason for increase in license fees and profitability in the first quarter of Financial Year 23, versus the same period in the previous Financial Year. The overall occupancy rate of NKP stood at 97.1% in this quarter as compared to 98% in the previous quarter. Barclays renewed approximately 94,000 square feet of its space due for renewal and expiring in (FY) 2023. Anunta renewed approximately 13,000 square feet of space also due for renewal in (FY) 2023. Growth Source licensed an additional approximately 5,000 square feet and F&B operators renewed approximately 1,600 square feet at NKP. Two parties licensed approximately 4,300 square feet at Nirlon House of which 75%, that is 3,200 square feet is Nirlon share.

As on 30th June 2022 approximately 90,000 square feet area was vacant, of this vacant area the Company has signed an LOI for approximately 37,000 square feet. Cultfit, the gym operator, has given notice to vacate approximately 6,000 square feet in September 2022.

Additionally, in a recent development, during the first week of August, Citi Bank has renewed approximately 1,60,000 square feet at NKP. Of this, 129,000 square feet was due for renewal in Financial Year 23, and the balance was due for renewal in Financial Year 2024.

As on 30th June 2022 the total secured debt facility sanctioned by HSBC was 1,230 crores which includes an overdraft facility while the debt outstanding from HSBC was 1,150 crores. With this, we conclude our presentation and open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Lakshya Jain from Enam Holdings. Please go ahead.

Lakshya Jain: My first question sir: we have paid 3.4 crores as CSR for FY23 and statutory norms state corporates must give 2% of net profit as CSR. So it implies that you will be making net profits of around 175 crores in FY23. Am I right sir?

Kunal Sagar: The CSR Regulations say that 2% of net profit is to be spent based on the previous three years, i.e. the average of the previous three years. So that is what this number is based on.

Lakshya Jain: My next question sir: If I am not wrong there are two main ways projects convert into REITs, which is either through SPV or through delisting. I have a doubt under SPV say for example if GIC has 60% holding in XYZ REIT, then for Nirlon to be part of that REIT, should GIC reduce its holdings in Nirlon to the same 60% or this is possible with the current 70% holding?

Kunal Sagar: Sorry I am not sure we understand your question very well.

Lakshya Jain: Shall I repeat?

Kunal Sagar: Yes if you can repeat, because it is not exactly clear to us what the specific question is.

Lakshya Jain: Say for example, GIC has 60% holding in XYZ REIT company, then for Nirlon to be part of that REIT should GIC reduce its holding in Nirlon to the same 60%, or it is possible with the current 70% holding through SPV?

Kunal Sagar: At this point that is not an answer that we have available. We would not want to try to answer it with a guess. If you want to be in touch with us specifically for this, we can try and understand a little better your question so we do not give you a wrong answer. Is that all right? It is a very specific situation you are asking and we are not sure that we have necessarily understood it correctly. So, we would rather understand it from you properly and then try and answer. You do not have to repeat it. It is just something that may be better answered offline so we can understand you correctly because we do not want to give you a generic answer without specifically understanding your exact question.

Lakshya Jain: My last question sir: In the recent DLF Earnings Concall they are very clear on the fact that they are REIT ready. GIC and DLF are just waiting for the right time to launch the DCCDL REIT. Are we also sailing on the same boat, sir?

Kunal Sagar: It is a question that I think perhaps is not something that we are aware of and DLF - GIC REIT frankly has nothing to do with Nirlon. So, again it is not something that we would want to really comment on, except to say that we have no connection with the DLF-GIC REIT.

Lakshya Jain: The meaning of my question is that they are waiting for the right time to launch the REIT. So are we also planning in a similar way?

Kunal Sagar: I think our situation as far as the REIT goes is very different from what them. They are REIT ready and are looking for an appropriate time to launch from what we understand. We are in a situation where, as we have said in our previous calls, we are in the process of evaluating what is the best option in terms of restructuring for Nirlon - in terms of REIT, in terms of delisting and how that is to be done. And that is a discussion that continues to evolve at our end as we have mentioned in other calls and we can again mention in this call. So, I think the two circumstances are very different. One is the situation where the DLF GIC REIT where, as you say as per their call, they are ready and they are waiting for the right time to do the REIT. The other is the situation where we are still evaluating, and the discussion is still evolving as to what is the best structure that Nirlon should evolve going forward.

Moderator: Thank you. The next question is from the line of Ashok Jain from Ayush Capital. Please go ahead.

Ashok Jain: Sir in your previous concall we have been discussing that Nirlon can become a REIT through an SPV route as one of the possibilities. The other possibility you told was the delisting, but that is not the right place to discuss, so I just want to concentrate on this SPV route sir. India has three REIT entities distributing quarterly dividend based on their net distributable cash flow - NDCF. Sir even you have travelled a lot and sacrificed a good amount of cash flow and paying corporate taxes in old regime and now in this quarter we have paid almost 2% penalty for foreclosure of HDFC loan. Sir I request you to share your knowledge, as per current P&L account and balance sheet, the NDCF that is the net distribution cash flow of Nirlon could have if Nirlon were to be part of a listed REIT as an SPV. I want you to explain to us how depreciation is added back to cash flow, how amortization of debt is added back to cash flow – this is what I want from you sir.

Kunal Sagar: Mr. Jain, we are not very clear what you are asking. Is it what is our cash flow, or what our cash flow would be under REIT or what exactly is what would you like us to explain? We can very clearly tell you about what our cash flow is. We do not want to speculate what our cash flow will or will not be under the REIT situation. We can tell you what our cash flow is just now if that is something that you would like to hear?

Ashok Jain: As per the profit and loss account we do have net profit and depreciation. We are providing around 36 crore per quarter. Sir in case if we were a REIT this 36 crore will go to the cash flow for the distribution of dividend. Whether the government puts taxes after depreciation and that among those of the whole depreciation that is 145 crore, what is the cash flow for distribution of dividend?

Kunal Sagar: Can you hold on just a second we will try and see if we can understand that little better? Just a minute Mr. Jain. I hope this answers your questions: Our understanding is that the depreciation in any case, in any situation is going to get added back to the cash flow. It is a non cash item regardless. So is that what you are asking?

Ashok Jain: Yes sir because in this current regime we do not pay taxes for depreciation amount and if you can add it back to cash flow for distribution of this dividend under REIT this whole amount of depreciation will be added to the new tax laws am I right?

Kunal Sagar: Again, we do not want to be speculative what we will be under REIT.

Ashok Jain: It is not specific to Nirlon it is applicable to Embassy also; it is applicable to Mindspace , just because we have been telling for last three quarters that we are working very hard to understand the regulation, that is the reason why I am asking?

Kunal Sagar: I think in our understanding in any case is that depreciation is always a non cash item, and whatever the amount of depreciation is, will form part of the cash flow. I do not know that it specifically answers your question, but that is our understanding of what you are trying to ask. Are we right.

Rahul Sagar: Just to understand your question: You are saying for example for Q1 FY23 your question is will we add back this 369 million to the 142 billion of Profit After Tax for calculation?

Ashok Jain: Yes sir.

Rahul Sagar: I mean, of course the dividend is paid (a) based on the eligibility to the extent that the Company is eligible (b) after we analyze what the Company is eligible for, the dividend, is also based on the availability of cash flow. So, theoretically or practically the 369 million of the depreciation can be added back to the Profit After Tax, provided the Company is eligible to pay that amount in that particular Financial Year.

Ashok Jain: Shall we be adding Rs. 36 crores or we will be adding Rs. 20 crores, that is paying taxes on depreciation also? This is what I am asking?

Kunal Sagar: I think Mr. Jain we will have to, rather than just speculate, we will have to have a discussion with you to understand exactly what you are saying. Again we do not want to give a wrong answer. We are not able to exactly understand.

Ashish Bharadia: Mr. Jain, depreciation is a tax deductible expense, so to that extent the tax will not be payable on that amount which is charged to P&L account.

Kunal Sagar: Which is not anything different from what we have always been doing it is just a normal situation.

Ashok Jain: So under REIT also depreciation is not taxable, it is tax deductible itself?

Ashish Bharadia: That is our understanding as far as SPVs under the REIT goes, because SPVs are also under the Companies Act., Again, for specific REIT regulations may be we are not the right people.

Ashok Jain: And secondly, we have taken I think moratorium of 5 years for the new loan from HSBC and we are going to repay 75% in the 10th year, so just want to have the color what shall be the amortization of SPV in our debt in case Nirlon takes REIT offer through SPV. Any idea on this sir?

Kunal Sagar: I think a lot of your questions are making an assumption that we are going to become a REIT, and it is not really something that, we are going to be able to answer that in any meaningful manner for you. Because we can certainly answer that question in so far as our structure today is concerned, but the questions that you are mentioning in terms of what we might do if and when we are a REIT is not something we would want to get into at all. Because it is very speculative in terms of what kind of structure may or may not exist be at any point. So, do excuse us for not answering something that is related to what might happen if Nirlon becomes a REIT.

Ashok Jain: Basically, my intention is not to go for a speculative statement - I just want to know where does Nirlon stand because these two options we have mentioned in our previous concall many a times, that we can make a REIT either through delisting or through SPV. In case we are going through SPV, I just wanted to understand the legalities of that, that is the only point?

Kunal Sagar: That is the point we had made quite clearly last time Mr. Jain. We have said that clearly, if I remember that discussion correctly, and we will check. There were two options: one is the traditional option where we would do a delisting and then move forward with the process of delisted companies forming part of a REIT. The other option which we had said, if I remember, that is theoretically something that is also being looked at, is to see whether it is possible or not whether Nirlon as a listed entity could be held by REIT which is also a listed entity. That was what we had said, and that is where we had said there was no precedent yet for any such situation. That is Nirlon's situation specifically where a listed entity would need to hold Nirlon as a listed entity. I think that is the circumstance that we had discussed last time. Again, we had said in that situation that we do not know if such a scenario is, in fact, possible, and that was one of the discussions that were being undertaken to understand whether that was an option or not. These were the two points we had discussed last time.

Ashok Jain: What is the current situation now? What is the new development happened in this last quarter? Any progress it has made?

Kunal Sagar: The discussions are continuing to evolve based on where we were last time. We continue to evaluate what has to be done and we are moving forward. There is no conclusion to those discussions yet, and we will continue to evaluate and we will continue to evolve this discussion until it reaches a level where we are sure that this is the direction we want to go, and is the right one from the Company's point of view for the long term. Those discussions continue, and as we have said there is no conclusion on those.

Moderator: Thank you. The next question is from the line of Harshit Gulecha from Flair Investments. Please go ahead.

Harshit Gulecha: So as my questions might not be comfortable for you to answer as other shareholders were also not been answered, I would request you kindly get time for our question offline sir?

Kunal Sagar: You are always welcome to ask us any questions offline, and we will of course do our best to try and answer them also.

Harshit Gulecha: Thanks a lot sir, but I ask my question I do not think you will be comfortable I would like to wait for the offline discussion?

Kunal Sagar: Entirely your call.

Moderator: Thank you. The next question is from the line of Samarth Singh from TPF Capital. Please go ahead.

Samarth Singh: On one agreement that we have done without the lock-in, is that sort of reflective of a weaker rental environment?

Rahul Sagar: Samarth, I think an agreement without a lock-in is basically happening after 9 years of being within the campus and it is not really there is no lock-in. There is lock-in of approximately 12 months, i.e. there is a notice period of approximately 12 months. So, these are not fresh agreements; these are renewals. So the licensee feels that if they have been here for 9 years they are not obligated to be locked-in further. It is not reflective of anything to do with market or post-COVID or anything of that nature to the best of our understanding. I think it is purely the fact that the licensee fees that he has already given us a lock-in of 36 months or 60 months or whatever it is in the initial license. That would be our understanding.

Kunal Sagar: And in fact some of the agreements that we either have completed or are in the process of discussing, have lock-ins that are again approximately three years and in some cases even longer than three years. So we do not believe it is any reflective of anything that is a weakening of the sentiment post COVID or anything along those lines, just to specifically answer your thought.

Rahul Sagar: I think in the agreement you are referring to, the period of the agreement is almost 9 years and of course, the notice period maybe 12 months, but the agreement period is in fact 9 years. So, it is not that they are trying to come down to 3 or 2 or 5 years or some such thing. So that would be an accurate understanding we feel.

Samarth Singh: And just for better understanding, in general as far as our contracts are concerned do they all work similarly where after the initial contract is over? In renewals most clients do not even lock-in is that the understanding correct?

Rahul Sagar: It is not entirely the case. There are renewals now which we have recently signed where there is a lock-in of approximately 24 months, plus 6 months of notice. So, it may not be 60 months or it may not be 36 months. But you know it is something which we think varies, and of course, to some extent the commercials are linked some extent to a longer lock-in as well. So, it is a combination of these factors. But yes you will have a case where it maybe 12 month of notice, but you may have a case where it is 24+6, and we do have cases where there is a regular 36 months as well.

Samarth Singh: And anything happening on Nirlon House, do you think there is a possibility of some sort of value unlocking happening there in your near future?

Rahul Sagar: That is a good question. Samarth is asking what we are doing and what are our plans for Nirlon House value unlocking. . See because of the historical issues with the Company, the Company owns about 55% of Nirlon House with 9 other owners. Of the 55% about 75% is owned by NL and 25% is an undivided share with Nirlon Foundation Trust. But the real fact is there are 9 other owners, and these are not institutional owners. These are private owners, and as you may understand private owners all have completely different views and completely different priorities. So, the issue really is how we unlock our value in a building which is strata owned, which is not the easiest thing to do under any circumstances, because of course we do not want to give away value for no reason. So, yes we are looking at this very seriously right now, the space that we have has almost been fully rented except for maybe one space of 1,500 square feet. The rest of the space is completely rented; it is completely licensed. When I said 1,500 square feet, it is excluding the basement. I mean we have had some preliminary discussions and as and when we form up something as to which way we want to go with NH, would be happy to let you know. But we do agree with you that because of the location of the asset, we would be very interested to unlock value.

Samarth Singh: You have done this wonderful job with Phase-V and I think it is more or less done now, so I guess your investors are just wondering what's next right? And whether it is Nirlon House or whether it is a REIT or something. We are hoping that management comes up with a plan soon?

Kunal Sagar: On the REIT part, in any case I think we are being repeatedly mentioning that let us not call it REIT. We will just call it in terms of what future structuring one would want to do going forward. That is something that we have been trying to explain on every call and is something that is the highest priority to see what might be an appropriate structure to transition to or evolve to. Similarly, Nirlon House is something that we understand needs to be addressed. As Rahul said, we just want to make sure that we do that in a way that does not leave any value on the table for no reason. We just want to make sure we do it right. Again, it is one of those legacy situations that we have untangled to a very large extent, and I think hopefully we can get the last aspect of this also done sooner rather than later.

Moderator: Thank you. The next question is from the line of Arunima Jain from The Chatterjee Group. Please go ahead.

Arunima Jain: My question is mainly on Phase-V. Where are we in terms of getting it operational and when can we expect some revenue inflow if not already. In case it is operational what would be the breakup between Phase-5 and rest of the park be?

Rahul Sagar: So, essentially the license fee-free period started on December 15, 2021. The license fees started 5 months after that on the 15th of May. So, as of 15th of May 2022, license fees have commenced in Phase-V for approximately 11.6 lakh square feet. This 11.6 lakh square feet is approximately 33%, 34% of the total area in NKP, which is approximately 3 million square feet of chargeable area at 80% except for the B3 building which is approximately 300,000 square feet which is at 75% efficiency. That is where it is, and we are happy to tell you that the license fee free period started in December 15, and license fees started on May 15 for 11.6 lakh square feet.

Kunal Sagar: The license fees from Phase-V are approximately 35% of the total license fees income.

Arunima Jain: Of the Rs. 138 Crore of top line what percentage would that be?

Kunal Sagar: About Rs.17 crores to Rs. 18 crores per month roughly are the license fees from Phase-V. This is Rs. 17 crore and maybe Rs. 54 crores for the quarter roughly.

Arunima Jain: And also, I could see little bit on the leverage? Have we increased the leverage in the last quarter? If you could throw some light on that?

Kunal Sagar: Not at all, In fact, as we have written in our IR report, we have refinanced loan in the last quarter, i.e. in Q1 of Financial Year 23. So, we paid back Rs. 1,180 crores to HDFC and HSBC refinanced that. The facility is for Rs. 1,230 crores of which Rs. 80 crores is the OD facility, Rs. 1,150 is the term loan facility. So that has remained unchanged. It is an LRD that we have with HSBC now.

Moderator: Thank you. The next question is from the line of Lakshya Jain from Enam Holdings. Please go ahead.

Lakshya Jain: One correction I am not from Enam holdings I am from DAM Holding and we are just clarifying that. I mean so there is not any issues in the future, kindly take that correction.

Kunal Sagar: Sure.

Moderator: Thank you. The next question is from the line of Ashok Jain from Ayush Capital. Please go ahead.

Ashok Jain: I have only one question - on our HSBC outstanding debt of Rs. 1,150 crores. Is our interest rate of 6.1% fixed rate or floating rate?

Kunal Sagar: Our interest rate is a floating rate and, from the 2nd of May when we refinanced, we have a 6-month period where it will not change and it will be floating after that linked to 3 month T-bills.

Moderator: Thank you. As there are no further questions. I now hand the conference over to Mr. Kunal Sagar from Nirlon Limited for closing comments.

Kunal Sagar: Thank you all very much for participating on the call. As always we appreciate your interest. For the couple of questions we had said might be better addressed offline, please do feel free to be in touch with us, and we will do our best to help you answer those questions.

Moderator: Thank you. On behalf of Nirlon Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.